



**DEPARTMENT OF ADMINISTRATION
OFFICE OF FISCAL MANAGEMENT
IMPORTANT BID ADDENDUM**

June 17, 2015

THIS ADDENDUM DOES NOT NEED TO BE RETURNED:

BID NUMBER: #13-JMB18525435

COMMODITY: SSAE # 16 Audit

ADDENDUM NUMBER: 01

USING AGENCY: DOA, Division of Veterans Affairs

PURCHASER: Joetta Brunson

OPENING DATE/TIME: June 25, 2015, 2:00 PM

QUESTIONS AND ANSWERS:

Questions received for the bid referenced above:

1. Please explain all funding sources for the 4 homes?

ANSWER: Medicare, Medicaid, Private Pay, USVA Per Diem, Insurance and Misc.

2. Who checks and approves eligibility for individual veterans to enter a Home?

A. State?

ANSWER: The service Officer that is located in the Homes and employed by State of North Carolina

B. Management Company?

ANSWER: See answer in Question 2 Item B.

3. Management Company

A. Operating agreement. Does the State and Management Company have a clear and concise operating agreement that specifies the duties and responsibilities of the Management Company?

ANSWER: Yes, the Management bid through Purchase and Contract (Division of the State) and was awarded contract.

B. Name of Management Company and principles?

ANSWER: Pruitt Health, Corporate Office in Norcross, Georgia

C. Has the State ever performed formal background checks on the Management Company and its principles? Please note that CPA firms are required to perform due diligence checks to accepting new engagements?

ANSWER: The State has not performed any "Background Checks" on the Management Company. Pruitt Health is a large HealthCare Provider and is required by Banking Institutions to have annual CPA reviews and Statements issued. The CPA firm is nationally recognized and will produce Statements.

D. Does Management Company manage facilities for other organizations?

ANSWER: Yes, At least one other State VA Program (Georgia)

E. How long has Management Company performed contract for the State of North Carolina?

ANSWER: First contract was awarded in 1998 and every five year, the Management Company had to "bid" the contract for rendering services.

F. Any issues with Management Company?

ANSWER: Normal business relationship exist with Management Company, minor problems does occur which is to be expected. No major issues have developed and none exist.

G. What billing and general ledger system is used by Management Company?

ANSWER: American Health Tech, integrated into the Pruitt System.

H. Do the 4 Homes have "dedicated" systems for general ledger, billing, payroll, accounts payable, etc.?

ANSWER: Each Facility operated independently and all items mentioned above ae present.

I. Does the Management Company routinely (monthly) issue financial statements for the 4 Homes?

ANSWER: Yes, Monthly, generally by the 15th of following month.

Balance Sheet?
Income Statement?
Other?

ANSWER: All items mentioned are issued monthly. There are a significant "other" sub-journals dealing with census, acuity, receivables and other operations of the Facility.

J. Who at the State of North Carolina reviews the financial statements of the Homes?

ANSWER: Program Manager and Contractor engaged by the State.

K. How is Management Company compensated?

ANSWER: The Management Company is paid based on the Bid Proposal submitted for the Contract. The payment to the Management Company is first computed based on expenses incurred by the Management Company that is defined as "allowed expenses."

The second part of payment is made on a Percentage of Revenue.

L. Are employees in the Homes employees of the Management Company?

ANSWER: All employees except the Service Office are employees of Pruitt Health.

M. Have the financial statements of the facilities been audited by independent CPA's?

ANSWER: No, However the Department of Health and Human Services contracts with an independent CPA firm which reviews financial statements for the Medicaid Cost Report. Each year is reviewed since inception. We are in the initial process for fiscal year 2013 and 2014.

N. Have State or Federal entities audited the North Carolina State Veterans Homes?

ANSWER: See above.

O. Have any adverse audit reports been issued?

ANSWER: No, each after audit, a revised settlement for Medicaid is determined.

P. Is the Management Company aware of its responsibilities under an SSAE 16 engagement?

ANSWER: Yes.

Accepting the terms of an engagement with a CPA firm?

Providing written management representations to the CPA firm regarding their responsibilities, the accuracy and completeness of information presented to the CPA's, etc.?

Defining Control Objective and Controls in place to achieve the related control objectives?

ANSWER: under the Contract with the Management Company, there will be no area that NCDVA or representative does not have access.

4. Is it possible to meet with State and Management Company representatives about one week prior to issuing the proposal? This is extremely helpful and greatly reduces the risk of misunderstandings, fees that are unreasonable (too high or too low), etc.

ANSWER: No.

5. Please note that Item A states "Perform an SSAE 16." Items B-P then lists specific procedures. **Question: Is the list in items basically B-P all inclusive?**

ANSWER: Items B through P is all inclusive.

6. Are the nature and implementation of system and controls similar/standard across the various homes and locations listed in the RFP? To what extent are controls and services centralized related to the operations and scope as listed in Section 2.01 of the RFP?

ANSWER: Controls and standards are the same for all four homes. Each home is managed by Pruitt Health located in Norcross, Georgia. Each home operates independently. All record keeping and statements are the same with American Health Tech being the primary software used for acuity and billing. Statements are issued monthly.

7. What specifically does the "Management Company" refer to? Can the vendor/company info be shared? Is it intended that Management Company controls and operations would be inclusive of the SSAE 16 report?

ANSWER: Management Company is Pruitt Health. They are independent to the State of North Carolina, please read carefully the request of RFP. This is all inclusive of items to be reviewed. NVDVA as part of "Management Agreement" has access to all records and supporting documentation. Any request of Management Company is expected to complete timely. It will be up to the vendor to present such request. NCDVA will monitor all request and response.

8. Has NCDVA defined or considered specific control objectives related to the scope and procedures listed in Section 2.01?

ANSWER: See Section 2.01 as to expectations.

9. Has a similar report/engagement been performed in the past 3 years? If so, can the results or related report be shared?

ANSWER: No report/engagement has ever been performed. No results are available. This is the first request and is limited in scope requested in Section 2.01.

10. Will the SSAE 16 be a Service Organization Controls (SOC) 1 or 2? Based on the scope, it appears this will be a SOC 1, but we were hoping to confirm. Additionally, is the report/service requested as Type 1 or Type II? Given the time period listed on page 8 of the RFP, we assume Type II, but wanted to confirm?

ANSWER: Review the scope requested, no additional requests are asked at this time.

11. Who are the intended users and recipients of the SSAE 16 report?

ANSWER: The North Carolina Department of Veterans Affairs is the specific user of this RFP.

12. On page 4, the Procurement Process, Number 3 states to submit 2 un-redacted copies on CD and 2 redacted copies on CD. Do these copies need to be on separate CDs? If there are no redacted versions, do CDs for redacted versions still need to be submitted, even though they will be the same as the un-redacted version?

ANSWER: Purchase and Contract

13. Section 1.02, the first paragraph indicates that SSAE 16 audits are to be performed at all North Carolina State Veterans Homes. The second paragraph lists four (4) homes. Is that all of the homes included in the scope of the audit or are there other homes? If other homes are included, what is their locations?

ANSWER:

NC Veterans Nursing Home – Fayetteville	150 Beds
NC Veterans Nursing Home – Salisbury	99 Beds
NC Veterans Nursing Home - Kinston	100 Beds
NC Veterans Nursing Home - Black Mountain	100 Beds

14. Section 2.01, It appears from reading the Statement of Work that the SSAE 16 Audits are to be performed on the controls of the Management Company. Please confirm?

ANSWER: Section 2.01 is all inclusive of work to be performed. Determination of further work will be determined in the future based on this section.

15. Has an SSAE 16 audit been previously performed on the Management Company? If so, can we get a copy of the previous report(s)?

ANSWER: No previous SSAE 16 audit has been performed.

16. Have the control objectives been specified? If so, who specified the control objectives, the State or the Management Company?

ANSWER: Management Company contract is specific to Management Company performance.

17. If the control objectives have not been specified, is it the expectation that the auditor will help the State and Management Company determine the control objectives? If the auditor is to help establish the control objectives, can a copy of the management agreement be made available for review prior to submitting the proposal?

ANSWER: No.

18. Has the Management Company documented its controls to meet the specified objectives?

ANSWER: Management Company is a national chain, Pruitt Health, they are audited yearly by a national firm. It is expected the Management Company meets items in Section 2.01

19. Are separate SSAE 16 audits required of each home, or are all homes to be included in one (1) report?

ANSWER: All will be included in one (1) report.

20. Is the SSAE 16 audit to be performed a Type 1 or Type 2 audit?

ANSWER: Section 2.01 indicates audit requirements.

21. Has an SSAE 16 been issued for these entities in the past? If so, can the report be made available?

ANSWER: No reviews or Audits has taken place on these Homes other than requirements that the Department of Health and Human Service require. They are reviewed annually by an outside CPA Firm for Medicaid purposes.

22. Are billing and collections processes standardized across the locations?

ANSWER: Yes, Management Company will be available to explain procedures.

23. Is one Management Company used for all facilities or are different vendors used? Who is the current vendor?

ANSWER: Yes, Pruitt Health out of Norcross, Georgia

24. Section 2.01.A seems to indicate that the period under review is July 1, 2013 through June 30, 2014. Why does the state want to audit a period greater than a year in arrears, rather than the current period?

ANSWER: This was when the request was made.

25. When would the State like to have the 7/1/2014 – 6/30/2015 report completed?

ANSWER: The reports for this question are not under review.

26. Several of the provisions in Section 2.01 appear to be validating transactions versus assessing controls (e.g. sections C, D, F, H). Would an Agreed Upon Procedures report for contract compliance by the Management Company fit the State's needs better than an SSAE 16? Is the State more concerned about testing the accuracy of actual transactions processing or the underlying control environment for the process?

ANSWER: The request for proposal is only inclusive for Section 2.01. Testing for this proposal is the critical component; based on findings a larger scope will be determined.

27. Are there any current regulatory requirements that the State is trying to address from Medicare/Medicaid with this report?

ANSWER: No.

28. Who is the intended audience for this report?

ANSWER: NCDVA

29. Is this project intended for use as an evaluation of the vendor prior to renewal of the contract?

ANSWER: No.

30. How flexible is the timeline for delivery, noted in Section 1.04 as 90 days from award of the RFP. Typically there is a 30-day window to test controls that have already been identified. If we need to identify controls before we can test them, it could take an additional 15-30 days for identification and validation, and then an analysis of the control testing results will take additional time. If the controls aren't standardized across the nursing homes, it could add time as well. An SSAE 16 requires special certification of staff and partners for quality review and sign off before a report can be issued.

ANSWER: If problems come up, we will monitor all correspondence. An extension is possible based on reasonable circumstances.

31. Section 2.01 for Contractor's Responsibilities seems blur the Auditor's responsibilities with the current Management Company's responsibilities. For example, subsection E seems to indicate that the Auditor "Contractor" would be liable for any lack of billing and collections efforts. Subsection J seems to also indicate the Auditor "Contractor" is a performer of controls over collection. Can you please clarify the responsibilities of the Auditor for the purpose of the RFP, and distinguish them from the responsibilities of the Management Company that is responsible for the Management of the Nursing Homes, including the accuracy of billing and collection efforts.

ANSWER: Management Company has performed billing, collections and deposit money in NCDVA Trust Fund. Audit firm will test these transactions for accuracy.

32. Page 8 of the RFP, in Section 1.04 "Contract Term" defines the review period to be the Fiscal Year Ended June 30, 2014 (July 1, 2013 – June 30, 2014). Is this the correct fiscal year, a look-back to the prior fiscal year (July 1, 2013 – June 30, 2014), instead of the current fiscal year (July 1, 2014 – June 30, 2015), the intention of the Contract Administrator?

ANSWER: Period is stated correctly.

- A. If the RFP states the correct reporting period, why is the reporting period so far in the past?

ANSWER: The period was the one requested at the initial start of process.

33. Is this RFP requesting only a SSAE 16 (Section 2.01 item A)? Or a SSAE 16 in addition to an attest engagement with respect to Section 2.01 items to B-P? Items B-P are not items that would be covered in the scope of a SSAE 16 examination and would require a separate attest engagement under the Public Company Accounting Oversight Board (PCAOB) (for example AT 101, AT 201 or AT 601).

ANSWER: Section 2.01 is stated correctly, it will be the scope of this examination.

34. What is the driver for the NC State Veterans Homes to undergo a SSAE 16 examination? Has someone specifically requested this exam? Why is it being conducted now?

ANSWER: It was requested by another State Agency.

35. Is there flexibility in 90 day report issuance deadline?

ANSWER: Yes, if a problem that warrants an extension.

36. What is the rationale behind the 90 day deadline?

ANSWER: Based on Section 2.01, 90 days should be sufficient.

37. Have you undergone a SSAE 16/SAS 70 examination in the past that is comparable to the proposed engagement? If yes:

ANSWER: No.

a. When was the most recent SSAE 16/SAS 70 examination conducted? **ANSWER: N/A**

b. Was an external firm engaged to conduct this work? If so, who? **ANSWER: N/A**

c. What was the reporting period of that examination? **ANSWER: N/A**

d. What was the dollar value of the contract? **ANSWER: N/A**

e. Will you make the prior SSAE 16 examination, or at least the control objectives available to bidders to aid in scoping of proposed services? **ANSWER: N/A**

38. Is the need for a SSAE 16 examination an annual requirement, or is this a one-time request for the 7/1/13 – 6/30/14 reporting period?

ANSWER: This RFP is for this period only.

39. Page 6 of the RFP indicates that the scope of the SSAE 16 will include the four existing facilities and any new veterans homes “opened in the contract period.” As the SSAE 16 covers a period that is in the past, is it reasonable to assume the scope of the examination will only be the four homes that were in existence? This is also can referenced in Section 1.02 that “additional homes to be included regardless of start-up dates.” Can you please clarify what this means, as a Home’s start-up date impacts whether or not it qualifies as within the scope of the reporting period for a SSAE 16 examination in the period of July 1, 2013 – June 30, 2014.

ANSWER: Four Homes are to be reviewed, regardless of start date.

40. Could you please summarize what activities/operations occur at each of the four existing facilities that would be considered in-scope for the SSAE 16 examination?

ANSWER: See Section 2.01

41. Are management and accounting functions occurring at each of the four existing facilities? If not, please elaborate on where these functions are taking place, and if they are centralized or decentralized.

ANSWER: Management Company is Pruitt Health located in Norcross, Georgia. Initial recording of each accounting function takes place in the Home. After recording, they are transferred to Norcross, Georgia for edit and review. Financials are prepared in Norcross and transferred back to each Home.

42. Do you anticipate the Contract Administrator will also serve as a project coordinator or primary contact for this examination? If not, please indicate the title of the individual that will serve as project coordinator/primary contact.

ANSWER: Contract Administrator will be the Project Manager from the NCDVA, this person is always in charge but will require assistance from both Management Company and State of NC.

43. Could you please clarify who is the Service Organization (the subject of the SSAE 16 examination, and the entity responsible for the internal controls that the Contractor will be testing) for this examination? The Management Company of the four existing homes, or the VA? Who is the “customer” to be the recipient of the SSAE 16 examination?

ANSWER: NCDVA will be paying for this contract. The Management Company previously bid on the rights to provide a service of management systems.

44. Where do systems reside? Are they hosted in a centralized data center, hosted at each home, or hosted by a third-party?

ANSWER: In each Home and Norcross, Georgia.

45. Do you consider the Veterans Homes to be central or decentralized operations? Please explain.

ANSWER: Both.

A. Are the following functions completed at the Home level or in a centralized fashion:

- 1) Billing and accounts receivable? ANSWER: Both
- 2) Payment receipt and collections? ANSWER: Both
- 3) Resident trust management? ANSWER: Home
- 4) Financial management? ANSWER: Mainly Norcross, Georgia, but Administrator is always responsible for operations.

46. What software applications are used by the Veterans Homes? Specifically, what software is used in the following areas?

- A. Billing and account receivable? ANSWER: American Health Tech/Pruitt Integration
- B. Resident trust? ANSWER: Pruitt Health
- C. Electronic Health Record (EHR) ANSWER: American Health Tech
- D. General ledger, accounts payable, and financial reporting writing? ANSWER: Pruitt System
- E. Human resources, time & attendance, and payroll software? ANSWER: Do No Know

47. Do the Veterans Homes use their own general ledger, accounts payable, and financial report writing software? Or are they required to use the State's ERP system?

ANSWER: The review will mainly focus on Management Side. Each Home has the State System implemented but not for facility Management reports. Each Homes has to deposit money directly into NCDVA Trust Funds. There should be no co-mingling of funds.

48. How many control objectives and controls need to be tested?

ANSWER: See Section 2.01

49. Who is the Executive Sponsor(s) of this report?

ANSWER: NCDVA through the NC Department of Administration

50. Will the NCDVA provide the selected consultant with a project liaison or coordinator to assist with the coordination, planning, and communications of this project?

ANSWER: Absolutely! Once contract is awarded, a meeting will be held with Management Company, Firm and NCDVA to assign individuals and process of communications.

51. Will NCDVA be willing to provide advance materials, transmitted securely, to allow the successful consultant to review documentation and make preparations to conducting work on-site?

ANSWER: Absolutely!

52. To confirm, should bidders organize their proposals in accordance with RFP Sections 5.01 through 5.03, plus all applicable forms? Please confirm or clarify.

ANSWER: Yes, organize as outlined in RFP. Must be properly executed to be accepted.

53. Regarding RFP Section 5.01.A: Is this item requesting that we include a business letter (signed by an authorized individual) within our proposal document, or should our entire proposal be submitted in a business letter format?

ANSWER: RFP Proposal should be submitted in its entirety. All pages of RFP should be returned and properly executed. Must be signed.

54. Regarding RFP Section 5.01.A.2: I don't see a section in the RFP numbered 8.08. Is paragraph 11 actually in reference to #11 on page 18 of the RFP? Please confirm or clarify?

ANSWER: No section 8.08 in RFP. Correct paragraph is in reference to item 11 on page 18.

55. Regarding RFP Section 7.01 and 7.02: Please provide more information regarding the Cost Proposal.

ANSWER: See page 4 item 3

A. Is the Cost Proposal supposed to be an entirely separate entity from the technical proposal? If yes, how many signed hard copies, additional copies, and electronic copies do we need to submit?

ANSWER: See page 4 item 3

56. Is there a budget in place for this project? If yes, please provide detail.

ANSWER: NCDVA will pay for an acceptable proposal out of the Trust Funds. There is not a line item budget.